

WISCONSIN STATE
LEGISLATURE
COMMITTEE HEARING
RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

Committee on
Agriculture and
Insurance
(SC-AI)

File Naming Example:

Record of Comm. Proceedings ... RCP

- 05hr_AC-Ed_RCP_pt01a
- 05hr_AC-Ed_RCP_pt01b
- 05hr_AC-Ed_RCP_pt02

Published Documents

➤ Committee Hearings ... CH (Public Hearing Announcements)

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Record of Comm. Proceedings ... RCP

➤ **

*Information Collected By
Committee Clerk For Or Against
Proposal*

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

**

➤ Hearing Records ... HR (bills and resolutions)

➤ **05hr_ab0679_SC-AI_pt01**

➤ Miscellaneous ... Misc

➤ **

Vote Record
Committee on Agriculture and Insurance

Friste / Kapanke
Technical clean-up
of MFL

Date: 10/26/05

Moved by: Brown

Seconded by: Miller

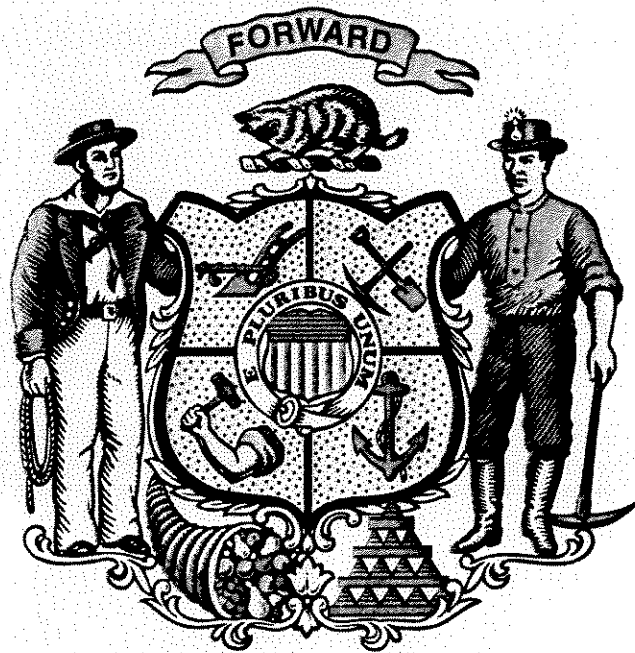
AB 679 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:
 Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Senator Dan Kapanke, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Neal Kedzie	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Ronald Brown	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Luther Olsen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Jon Erpenbach	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator David Hansen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Mark Miller	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	_____	_____	_____	_____

Motion Carried Motion Failed



DATE: April 19, 2005
TO: Paul DeLong
Bob Mather
FROM: Carol Nielsen
SUBJECT: Discussion and proposals for clean-up items from 2003 Act 228

During the implementation of 2003 Wisconsin Act 228 (revisions to the Managed Forest Law) several inconsistencies or concerns were noted. The following is a brief description of the concerns and recommendations for statutory changes to correct/fix them.

1) **Effect of the 5 year yield tax exemption (s. 77.87 (1g) and the special addition provisions (withdrawal and re-entry) in 77.82 (4g) (b).**

Sec. 77.82 (4g) (b) Wis. Stats. provides for the withdrawal of an existing order without withdrawal tax and then re-entry of all acres along with *additional* land. These are cases where the *additional* land cannot be entered by itself because it does not meet the eligibility requirements. There is no withdrawal tax assessed at the time of withdrawal and re-entry and they begin a new 25 or 50 year order period.

Concerns here are:

- These entries would not have yield tax in the first five years. (they qualify for the 5 year exemption under s. 77.87 (1g) Wis. Stats.)
- This could be used as a way to avoid yield tax on a harvest that was needed but not completed under the original order.

Recommendation: Add language to s. 77.87 (1g), Wis. Stats. so that this exemption does not apply to lands withdrawn and re-entered under s. 77.82 (4g) (b), Wis. Stats. This would be similar to other lands listed that do not qualify for the 5 year yield tax exemption (e.g., FCL conversions under s. 77.82 (7) (d), Wis. Stats. and MFL renewals under s. 77.82 (12), Wis. Stats.) Combine with item 2. (Proposed wording after item 2.)

2) **Effect of 5 year yield tax exemption and expiring Forest cropland renewed under the Managed Forest Law.**

Lands which expire from the Forest Crop Law and are renewed under the Managed Forest Law qualify for the 5 year yield tax exemption under s. 77.87 (1g), Wis. Stats. However FCL converted prior to the expiration of the FCL contract under s. 77.82 (7) (d), Wis. Stats. and MFL renewals under s. 77.82 (12), Wis. Stats. are not eligible for the 5 year yield tax exemption.

Concerns here are:

- Expiring FCL land are being treated differently than expiring MFL orders in regards to the 5 year exemption on yield taxes.
- Landowners avoiding any harvest tax (FCL severance or MFL yield) by intentionally dragging their feet and not completing the forestry practice on an expiring FCL contract and doing the harvest during the first 5 years of the new MFL order. This situation has already occurred and is extremely difficult to enforce during the last few years of the FCL contract do to the timing. This would reduce the payments to the municipalities and counties who share these payments.

Recommendations: Add language to s. 77.87 (1g), Wis. Stats. so that this exemption does not apply to lands expiring from an FCL contract. Combine with the recommendation from item 1.



Proposed statutory changes for items 1 and 2

77.87 (1g) is amended to read:

77.87 (1g) **Exemption.** For a managed forest land order that takes effect on or after April 28, 2004, the owner of the managed forest land is exempt from payment of the yield tax under sub. (1) for the first 5 years of the managed forest land order. The exemption under this subsection does not apply to managed forest land converted pursuant to a petition approved under s. 77.82 (7) (d), ~~or to a renewal of managed forest land order under s. 77.82 (12)~~, to a petition approved under 77.82 (7) at the end of a forest cropland contract under s. 77.03, or to a petition submitted under s. 77.82 (4g) (b).

3) ***Special addition provisions (withdrawal and re-entry) in s. 77.82 (4g) (b), Wis. Stats. and withdrawal tax.***

Sec. 77.82 (4g) (b) Wis. Stats. provides for the withdrawal of an existing order without withdrawal tax and then re-entry of all acres along with *additional* land. These are cases where the *additional* land cannot be entered by itself because it does not meet the eligibility requirements. The lack of withdrawal tax at the time of the withdrawal and re-entry is an appropriate incentive for landowners under these circumstances. The land under the original order remains in the program and under management. Should the land be withdrawn while under the new order of designation the withdrawal tax would only be based on the years under the new order of designation?

Concerns here are:

- The withdrawal tax after re-entry only includes the new entry period. This can result in a significant withdrawal tax saving for some owners – a cheaper way to withdraw lands from the Managed Forest Law commitment. Withdrawal tax is not equitable.
- For example: 80 acres originally entered in 1987 is withdrawn and re-entered with an additional 5 acres in 2006 for a total of 85 acres. Then in 2007 the owner withdraws the land. The withdrawal tax would only be for **one** year. There would be no compensation to the municipality or county for the 20 years under the original order which was not completed.
- Could have major implications with industrial entries or developers that want a cheap way out, if they have adjoining land and have a couple years to plan.

Recommendation: Modify the withdrawal tax in s. 77.88 (5) for these entries (s. 77.82 (4g) (b)) until the previous order period would have ended. The modified withdrawal tax would include both the withdrawal tax for the current (s. 77.82. (4g) (b)) order period plus the withdrawal tax for the acres under the previous order period at the time it was withdrawn and re-entered under s. 77.82 (4g) (b). The withdrawal tax reverts to the withdrawal tax as calculated under s. 77.88 (5) (a). after the date that the previous order would have expired.

- The assessed value and tax rate for the current (s. 77.82 (4g) (b)) order period withdrawal tax are based on values from the year prior to withdrawal. The number of years is the number of years under the current order.
- The assessed value and tax rate for the previous order's withdrawal tax are based on the values from the year prior to withdrawal and reentry (the last year under the previous order of designation). The number of years is the number of years completed under the previous order of designation.

Proposed statutory changes or item 3:

77.88 (5) (a) is amended to read:

77.88 (5) (a) Except as provided in par. (am) and (an), for land withdrawn during an initial managed forest land order, the withdrawal tax shall be the higher of the following:

s. 77.88 (an) is created to read:

s. 77.88 (5) (an). Until the previous order of designation (order period) would have expired the withdrawal tax for land petitioned for designation under s. 77.82 (4g) (b) shall be the sum of the following:

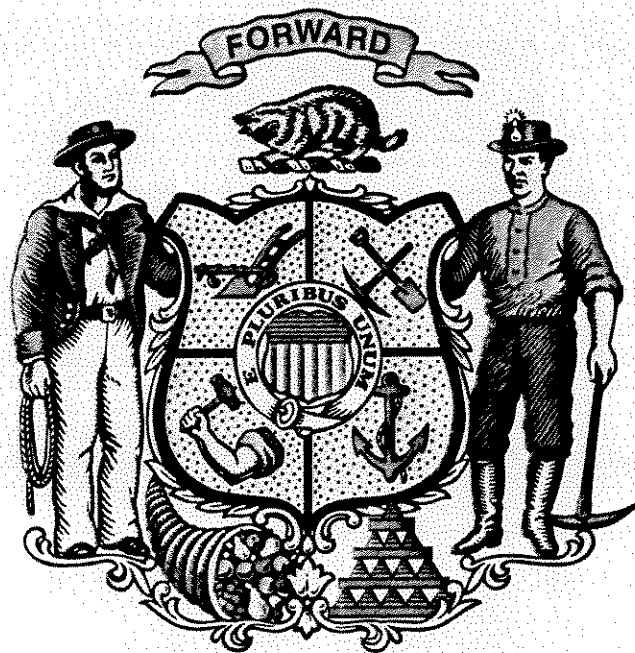
1. An amount equal to the product of the total net property tax rate in the municipality in the year prior to the withdrawal and the assessed value of the land for the same year, as computed by the department of revenue, multiplied by the number of years the land was designated as managed forest land under the s. 77.82 (4g) (b) designation, less any amounts paid by the owner under ss. 77.84 (2) (am) and 77.87 during the same period.

2. An amount equal to the product of the total net property tax rate in the municipality in the year prior to the effective date of the s. 77.82 (4g) (b) designation by the assessed value of the land under the previous designation for the same year by the number of years designated as managed forest land under the previous designation less any amounts paid by the owner under ss. 77.84 (2) (a) and 77.87 during the same period.

Comment [ckn1]: Trying to set the period of time that this withdrawal tax calculation would be used to the period of time when the previous order would have been in effect. So if the original order was effective beginning 1/1/1990 for a period of 25 years this withdrawal tax calculation would be used until the end of the 25th year (12/31/2014).

Comment [ckn2]: Page: 2
Want this to be the amount calculated under 77.88 (5) (a) 1. for the previous acres and order period. Keep in mind that some of the land may have been an "addition" and have a different designation year.

Comment [ckn3]: Page: 2
Page: 2
This should be the last year it was under the previous designation.



Assembly Bill 679
Senate Committee on Agriculture and Insurance

Department of Natural Resources Testimony
Bob Mather and Carol Nielsen, Bureau of Forest Management
Division of Forestry
October 26, 2005

Chairperson and Committee Members:

Thank you for the opportunity to appear before the Committee on Agriculture and Insurance regarding AB679. We would like to register in favor of this bill and encourage an expedient approval of the bill.

This bill amends the effective date of changes to the Managed Forest Law application process made in 2005 Wis. Act 25 from June 1, 2005 to July 2, 2005. The bill would allow the department to treat all MFL applications received for the 2007 entry year the same. The deadline for MFL applications for the 2007 entry year was July 1, 2005.

The current effective date of changes designated in Act 25 is June 1, 2005 thereby impacting approximately 1000 of the 1700 applications received for the 2007 entry year. Those 1000 applicants must be handled under the new process outlined in Act 25 even though they are for the same entry year as those individuals who applied before June 1, 2005. This change in the middle of an application year has confused and frustrated many of those landowners. An expedient decision on this issue is encourage so we can inform these 1000 applicants who are awaiting a decision on this issue how their applications are going to be handled.

The other two changes regarding the yield tax and the withdrawal taxes are proposed to close some loop holes and to treat similar Managed Forest Law entries consistently.

I want to thank you for the opportunity to testify today and I would be happy to address any question you may have at this time.